



COUNTY OF SAN LUIS OBISPO

AUDITOR • CONTROLLER • TREASURER • TAX
COLLECTOR • PUBLIC ADMINISTRATOR

Planning & Building Department Cash Procedures & Internal Control Review

March 2015


**JAMES P. ERB, CPA
Auditor-Controller
Treasurer-Tax Collector-Public Administrator**



COUNTY OF SAN LUIS OBISPO

AUDITOR • CONTROLLER • TREASURER • TAX
COLLECTOR • PUBLIC ADMINISTRATOR

TO: JAMES A. BERGMAN, DIRECTOR

FROM: JAMES P. ERB, CPA, AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR 

DATE: MARCH 12, 2015

SUBJECT: CASH PROCEDURES AND INTERNAL CONTROL REVIEW OF PLANNING
CONDUCTED ON DECEMBER 18, 2014

Our office recently completed a cash procedures and internal control review of the San Luis Obispo County Planning Department that took place on December 18, 2014. Please respond to the Findings and Recommendations within 10 business days of receiving this report. The response should include the corrective action the Planning Department will be making to correct the Findings.

Purpose

The purpose of our review was to determine compliance with the County Auditor-Controller's Cash Handling Policy, to establish accountability for the cash on hand at the time of the review, and to determine compliance with the County Information Technology (IT) Acceptable Use Policy Acknowledgement signature requirements.

Scope

The scope of our review included cash and receipts on hand on December 18, 2014 as well as deposits for the prior month. Additionally, we reviewed the department's Cal-Card activity. County IT Acceptable Use Policy Acknowledgements signed in the past calendar year were also sampled and examined.

Methodology

We conducted our review in conformance with the *International Standards for the Professional Practice of Internal Auditing*. The International Standards for the Professional Practice of Internal Auditing require the internal audit activity be independent and internal auditors be objective in performing their work. The Standards also require internal auditors perform their engagements with proficiency and due professional care; the internal audit function be subject to a program of quality assurance; and the results of engagements are communicated.

Our review included physically counting all cash on hand for December 18, 2014 and reconciling the amount to the department's accountability figures. We examined cash receipts and compared the amounts to the corresponding receipts total and to the subsequent deposit. Our review also included an evaluation of internal controls over cash receipts and Cal-Card activity. Our evaluation of internal controls was limited to inquiries of departmental staff and direct observations.

Additionally we tested for compliance with the County of San Luis Obispo Information Security Program's requirement that employees annually sign the Acceptable Use Policy Acknowledgement form.

Results

We determined employees signed the IT Acceptable Use Policy Acknowledgement form in a timely manner.

Cash funds and cash receipts on hand were not in balance at the time of our count. Additionally, the combination to the safe was stored in an unsecure location. In all other respects, the department is in general compliance with the Cash Handling Policy. Details of the exceptions are presented in the Findings and Recommendations section below. Findings are issues which present a serious enough risk to require consideration by management and a written department response.

During fieldwork we also identified some areas where improvements could be made, and we immediately provided the Department with suggestions for making these improvements. Suggestions for improvement are made for issues the auditor considers not to be of an immediate serious nature and/or for issues which the department is able to correct at the time of the audit. Unlike formal audit findings, written departmental responses are not required for these issues. Our suggestions are detailed in the Suggested Improvements section below.

Findings & Recommendations

1. Change Fund Shortage

The Planning Department's cash on hand at the time of our count was \$10.98 less than the recorded revenue. The County's Cash Handling Policy requires the custodian to count and reconcile cash on hand to the assigned amount on a daily basis. Staff members were unable to provide an explanation for the shortage. It appears internal control procedures were not being followed, which caused staff not to notice the out of balance amount. When internal control procedures are not followed, the risk of error and the opportunity for theft significantly increase.

Recommendation:

Planning staff must count the change fund as well as reconcile cash receipts and collections daily.

Department Response: Management has discussed with staff the importance of counting and reconciling the change fund daily. Additionally we have implemented periodic random supervisor checks of the daily reconciliation.

2. Safe Combination Written in an Unsecure Location

During inspection of the department's safe, we observed the safe combination was kept in an unsecure location. The County Cash Handling Policy requires that written safe combinations be

kept in a secure location and the combination be restricted to as few employees as possible to ensure the contents of the safe won't be placed at risk of theft, waste, or abuse.

Recommendation:

The safe combination must be kept in a secure location in the department.

Department Response: The safe combination has been moved to a secured location.

Suggested Improvements

1. Undeposited Checks Found in Safe

We found two checks in the Planning Department's safe that had been held for more than a month because they had been written for different amounts than were owed to the County. The Department appropriately did not deposit these checks; however, best business practices dictate that the checks be returned to the maker in a timely manner. Staff stated that generally these types of checks are returned within two weeks; however, in this case the checks had been overlooked. When checks are held overlong, customers may believe fees are paid and not understand why services have been delayed. Subsequent to fieldwork, the Planning Department implemented a new procedure, including a form letter, to return checks to customers when needed.

2. Cash Handlers Did Not Certify County Cash Handling Policy.

Not all cash handlers had certified in writing they had read the County Auditor-Controller's Cash Handling Policy. The Cash Handling Policy is required reading for all cash handlers, custodians, and managers; however, management neglected to have all cash handlers sign the acknowledgement. Written acknowledgement by employees stating they have read the Policy helps ensure consistent Countywide procedures for cash handling. Subsequent to fieldwork we received verification that all employees with cash handling responsibilities had certified they had read the Cash Handling Policy.

3. Safe Combination Not Changed

We found terminated, transferred or employees who no longer handle cash had knowledge of the safe combination. The County Cash Handling Policy requires safe combinations to be restricted to as few employees as possible and the combination to the safe to be changed whenever an employee who has knowledge of the combination terminates County employment, is transferred to another department, or is removed from cash handling functions. Maintaining the same safe combination after employees with knowledge of the combination no longer require access puts the County's cash and other assets at risk. We recommend the Planning Department management do a risk assessment and cost/benefit analysis as to the value of changing the safe combination. Subsequent to fieldwork, we were informed that the department is in the process of changing the safe combination.

We appreciate the courteous attitude of your staff and the cooperation we received during the course of our review.